

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2020

Docket No. ACR2020

CHAIRMAN'S INFORMATION REQUEST NO. 5  
AND NOTICE OF FILING UNDER SEAL

(Issued January 26, 2021)

To clarify the basis of the Postal Service's FY 2020 *Annual Compliance Report* (ACR), filed December 29, 2020,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 2, 2021.

**First-Class Mail**

1. Please refer to Library Reference USPS-FY20-1, December 29, 2020, Excel file "Public\_FY20CRARReport.xlsx," tab "Cost1," cell R17. Please refer also to Docket No. ACR2019, Library Reference USPS-FY19-1, December 27, 2019, Excel file "Public\_FY19CRARReport.xlsx," tab "Cost1," cell R17.
  - a. The data in the referenced files show that the cost coverage for First-Class Mail Flats (FCM Flats) fell from 109 percent in FY 2019 to 100 percent in FY 2020. Please explain the drop in FCM Flats cost coverage.
  - b. Please provide the Postal Service's plan to improve the cost coverage of FCM Flats in FY 2021. If no such plan has been developed, please explain.

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<sup>1</sup> United States Postal Service *Annual Compliance Report*, December 29, 2020 (FY 2020 ACR).

**International Mail**

2. Please refer to Library Reference USPS-FY20-NP30, December 29, 2020, files “NONPUBLIC UPU QS Link Perf 2019 FINAL.pdf” and “NONPUBLIC UPU QS Link Perf Oct 2020.pdf.”
  - a. Please identify the reasons for the overall decline in Inbound Letter Post service performance in all months but two of FY 2020 postal quarter (PQ) 1 and PQ2.
  - b. Please identify the specific reasons for poor service performance in FY 2020, PQ3 and PQ4.
3. Please refer to Docket. No. ACR2019 Response to CHIR No. 2, question 6.<sup>2</sup> The Postal Service stated that “[t]he ‘Terminal Dues Score Improvement’ Lean Six Sigma Black Belt Project, along with other service improvement projects, was on hold for much of FY 2019 as management resources were focused on preparing the Postal Service for the withdrawal of the United States as a member country of the Universal Postal Union (UPU) . . . in order to ensure operational continuity.” *Id.* The Postal Service noted the satisfactory resolution within the UPU that allowed the United States to remain a member, and indicated that, going forward, “resources focused on these operational continuity matters could be reassigned to service improvement projects such this one. The Postal Service does plan to continue the identified projects and initiatives in FY 2020.” *Id.* On July 23, 2020, the Postal Service reported that the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project “remains on hold, and it is not yet known when the Postal Service will resume that particular project.”<sup>3</sup> Please

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<sup>2</sup> Docket No. ACR2019, Responses of the United States Postal Service to Questions 1-13 of Chairman’s Information Request No. 2, January 17, 2020 (Docket No. ACR2019 Response to CHIR No. 2).

<sup>3</sup> See Docket No. ACR2019, Third Response of the United States Postal Service to Commission Requests for Additional Information in the FY 2019 Annual Compliance Determination, July 23, 2020, question 1, (Docket No. ACR2019 Third Response).

explain why the Postal Service did not implement the “Terminal Dues Score Improvement” Lean Six Sigma Black Belt Project in FY 2020 and whether the Postal Service plans to implement it in FY 2021.

4. Please refer to Library Reference USPS-FY20-29.<sup>4</sup> Please also refer to the Docket No. ACR2019 Third Response, question 1. In the Docket No. ACR2019 Third Response, the Postal Service identified steps it was taking to improve service performance for Inbound Letter Post. Docket No. ACR2019 Third Response, question 1. These steps included communicating between the International Service Centers (ISCs) and Processing and Distribution Centers (P&DCs), which process and handle the international volumes, to correct any delays in the process of dispatch from the ISCs as well as sharing identified processing gaps with Division Directors and managers that assist the ISCs through a Grid Analysis. Library Reference USPS-FY20-29, file “FY20-29 Service Performance Report.pdf,” at 8-9; Docket No. ACR2019 Third Response, question 1. Please explain why these initiatives did not improve service performance in FY 2020, addressing PQ1-2 and PQ3-4 separately.
5. Please refer to Docket No. ACR2019 Third Response, question 1. The Postal Service stated that its International Processing Operations “will conduct a series of operational service reviews to the assist the field with identifying and abating the causes for the respective service gaps, and with improving international Inbound Letter Post service performance. Brainstorming sessions have been held to help identify initial root causes and solutions.” Please discuss the operational service reviews that were done in FY 2020 and their outcomes.
6. The Postal Service identified four initiatives it is pursuing to improve service performance for international services, including Outbound Single-piece First-Class Mail International and Inbound Letter Post. Library Reference USPS-

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<sup>4</sup> Library Reference USPS-FY20-29, Annual Report on Service Performance for Market Dominant Products, December 29, 2020.

FY20-29, file “FY20-29 Service Performance Report.pdf,” at 9-12. The Postal Service reported these same initiatives in its Docket No. ACR2019 Third Response, question 1. These initiatives were: (1) measured targets for Tour Turnover between tours for all operational categories during shift changeover; (2) measured machine utilization performance compared to machine/operational capabilities; (3) measured Run Plan Generator (RPG) machine run plan performance against plan; and (4) visual service/operational failure analysis (Grid Analysis). Please discuss the impact of these initiatives on service performance in FY 2020 PQ1-2, if they were in place during that time, and, separately, in PQ3-4.

7. Please describe the initiatives the Postal Service plans to continue, eliminate, or implement to improve service performance for Inbound Letter Post in FY 2021 and how it plans to measure the impact of these initiatives.
8. Please see Attachment filed under seal.
9. The Postal Service stated that its management has sent notices of termination of agreements that comprise the International Money Transfer Service (IMTS) Inbound product to 11 foreign postal operators. FY 2020 ACR at 70.
  - a. Please identify the foreign operators to which the Postal Service sent a notice of termination, the percentage of IMTS-Inbound volume represented by these foreign postal operators, and the effective date(s) of termination.
  - b. Please identify the other foreign postal operators to which the Postal Service intends to send notices of termination, when the Postal Service will send the notices, and the anticipated effective dates of these terminations.
  - c. Please confirm that the Postal Service intends to terminate all agreements that comprise the IMTS-Inbound product. If not confirmed, please explain.

10. Please refer to the Second Additional Protocol to the Universal Postal Convention (Second Additional Protocol), Articles 28bis.6bis, 28bis.1.1.6, and 29.16, 29.17.<sup>5</sup>
- a. Please provide a list of countries in UPU country groups II-III with FY 2020 inbound format P/G and format E flows to the United States above 50 tons and in UPU country group IV with flows to the United States above 100 tons.
  - b. Please confirm that the Postal Service charged the countries identified in question a. per item and per kg rates for their FY 2020 PQ4 format P/G flows and self-declared rates for their FY 2020 PQ4 format E flows. If not confirmed, please explain.
  - c. If any country identified in question a. with volumes above the threshold that was eligible for per item and per kg rates and self-declared rates was not charged such rates, please identify the volumes, revenues, and costs for each such country.
11. Please refer to the Second Additional Protocol, Articles 28bis.6bis, 28bis.1.1.7, 29.16, and 29.17.<sup>6</sup>
- a. Please provide a list of countries in UPU country group I with inbound format P/G and format E flows to the United States below 50 tons and countries in country groups II and III with flows to the United States between 25 and 50 tons.

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<sup>5</sup> See Second Additional Protocol to the Universal Postal Convention (Second Additional Protocol), Berne 2019, available at: <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

<sup>6</sup> Docket No. IM2020-1, Notice of Posting of Proposals, March 26, 2020.

- b. Please confirm that the Postal Service charged the countries identified in question a. blended per kilogram rates that included self-declared per item and per kilogram rates in FY 2020 PQ 4. If not confirmed, please explain.
- c. If any country that was eligible above within the range for such blended rates was not charged such rates, please identify the volumes, revenues, and costs for each such country.

**Flat-Shaped Mail: Mail Processing**

- 12. Please see Attachment, filed under seal.
- 13. In Library Reference USPS-FY20-45, December 29, 2020, file “Paragraph (b) -- Financial Report,” file Part B Narratives.pdf,” at 11-12, the Postal Service states that “in response to sharp volume declines in flats, increases in package volumes, and issues with employee availability some sites temporarily suspended processing on Flats Sequencing System (FSS) equipment and processed these volumes instead on Automated Flat Sorting Machine 100 (AFSM100) machines.”
  - a. Was there a policy or threshold that governed the suspension of the FSS? If so, please provide the policy or threshold.
  - b. Please describe the process for approving the suspension of the FSS, specifically whether such FSS suspensions can be implemented at the discretion of the facilities manager or USPS headquarters.
  - c. Please provide a list of the facilities that suspended the FSS in FY 2020. For each of these facilities, please provide the length of the FSS suspension in terms of actual time and workhours. For these facilities, please provide the flats volume diverted to the AFSM100.
  - d. Has the Postal Service developed an analysis to identify and better understand any lessons learned from the suspension of the FSS? If so,

please provide the report. If not, please discuss whether there are future plans to develop such an analysis.

- e. Did mail processing costs for flats increase or decrease when shifting flats volume from the FSS to the AFSM100?
  - f. Did delivery costs for flats increase or decrease when shifting flats volume from the FSS to the AFSM100?
14. In Library Reference USPS-FY20-45, file “Paragraph (b) -- Financial Report,” file “Part B Narratives.pdf,” at 12, the Postal Service states that “[o]ther factors like the temporary shift of FSS-candidate volume towards AFSM100 likely caused an increase in the percent of manually processed volume before dissemination to the carrier for delivery.”
- a. For the facilities that shifted flats from the FSS to the ASFM100, please provide a quantitative analysis of manual processing costs comparing before, during, and after the shift.
  - b. If quantitative analysis is not available, please provide qualitative analysis.
15. In Library Reference USPS-FY20-45, file “Paragraph (f) -- Operational Changes Report,” file “FY20 Paragraph (f) Report.pdf,” at 6, the Postal Service states that it “continued to remove AFSMs to respond to the continued decline of flats volume. This initiative should reduce costs due to reductions in maintenance and mail processing work hours.”
- a. Please provide the number of ASFM100 machines that were removed.
  - b. Please provide an estimate of the cost savings for maintenance from the decommissioning of an individual ASFM100 machine.
  - c. Please provide an estimate of the mail processing work hours cost savings from the decommissioning of an individual ASFM100 machine.

- d. Please provide an estimate of the cost savings for maintenance and mail processing work hours from the FY 2020 initiative of decommissioning select ASFM100 machines.

**Flat-Shaped Mail: Bundle Breakage**

16. In response to a FY 2019 ACD directive, the Postal Service provided a chart detailing the cost impact per broken bundle.<sup>7</sup> Please provide workpapers showing the methodology used to calculate the estimated cost impact per broken bundle.
17. Library Reference USPS-FY20-45, file “Paragraph (e) -- Pinch Point Reports,” file “e.1 Bundle Breakage Visibility,” Excel file “FY16\_FY20Bundle.Brkge.E1\_Public.xlsx” contains the mean bundle breakage rates in FY2020 in the following table:

<b>Machine Type</b>	<b>Mean Bundle Breakage Rate</b>
APPS	8.08%
EPPS	2.61%
SPBSTS	8.07%

Does the Postal Service plan on processing more bundles on Enhanced Package Processing Sorter (EPPS) machines given their lower rate of bundle breakage? Please discuss the tradeoffs associated with using the EPPS machine to process bundles.

18. In Library reference USPS-FY20-45, file “Paragraph (e) -- Pinch Point Reports,” file “e.1 Bundle Breakage Visibility,” Excel file “FY16\_FY20Bundle.Brkge.E1\_Public.xlsx,” the average bundle breakage rate for Periodicals in FY2020 was 4.22 percent and the average bundle breakage rate

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<sup>7</sup> Docket No. ACR2019, Response of the United States Postal Service to Commission Requests for Status Reports in the FY 2019 Annual Compliance Determination, July 15, 2020, at 2 (FY 2019 ACD Directive).



for flat shaped USPS Marketing Mail in FY 2020 was 6.43 percent. Please explain why the bundle breakage rate for flat-shaped USPS Marketing Mail is higher than the bundle breakage rate for Periodicals.

19. In response to a FY 2019 ACD Directive, the Postal Service stated that “[i]n August of 2020, access to the Mail Irregularity Application will expand to all Full-Service mailers via the Mailer Scorecard.” FY 2019 ACD Directive at 4.
  - a. Please indicate if the expansion to all Full-Service mailers occurred in August of 2020.
  - b. Please provide the number of mailers using the Mail Irregularity Application for August and September of FY 2020.
  - c. Please provide the number of irregularities identified by the Mail Irregularity Application for August and September of FY 2020.
20. In Library Reference USPS-FY20-45, file “Paragraph (f) -- Operational Changes Report,” file “FY20 Paragraph (f) Report.pdf,” at 8-9, the Postal Service states that the “[u]se of Mailer Irregularity Application data should provide mailers with actionable information to correct irregularities and issues before they enter pieces into the postal network, such as securing the straps on flats bundles and reconfiguring shrink wrap to ensure address and barcode readability.”
  - a. Please provide an estimate of the number of mailers that will have access the Mailer Irregularity Application in FY 2021.
  - b. Please provide the number of facilities where the Mailer Irregularity Application will be implemented.
  - c. Please explain how the Postal Service chose which facilities should implement the Mailer Irregularity Application.
  - d. Is the Postal Service specifically implementing the Mailer Irregularity Application at locations that have high rates of irregularities?

**Flat-Shaped Mail: Manual Processing**

21. In response to a FY 2019 ACD Directive, the Postal Service states that “[i]n addition, due to the continued decline in flats volume, the Postal Service plan to remove approximately 130 manual flats cases from its processing plants by the end of FY 2020.” FY 2019 ACD Directive at 18.
  - a. Please indicate how many manual flats cases were removed in FY 2020.
  - b. Please provide an estimate of the cost savings from the removal of these manual flats cases, including all data or methods used to develop this estimate.
22. In Library Reference USPS-FY20-45, file “Paragraph (f) -- Operational Changes Report,” file “FY20 Paragraph (f) Report.pdf,” at 7, the Postal Service states that “[i]n FY 2021, the reduction in the number of manual flat cases will fall in line with the goal of equipment right-sizing.”
  - a. Please indicate how many manual flats cases are planned to be removed in FY 2021.
  - b. Please provide an estimate of the cost savings from the removal of these manual flats cases.
  - c. Please explain why removing cases results in cost savings.

**Flat-Shaped Mail: Allied Operations**

23. In regarding the Grid initiative, in Library Reference USPS-FY19-29, December 27, 2019, file “FY19-29 Service Performance Report.pdf,” at 7, the Postal Service stated “[h]eadquarters personnel began using this tool during FY 2019 and its use continues in FY 2020.” Has the Postal Service developed any analysis or metrics linking reductions in costs for allied operation, or reductions in Work in Process (WIP) metrics to the Grid initiative? If so, please provide such reports or metrics.

**Flat-Shaped Mail: Operations and Scorecard**

24. In Library Reference USPS-FY20-45, file “Paragraph (f) -- Operational Changes Report,” file “FY20 Paragraph (f) Report.pdf,” at 4-5, the Postal Service stated that it will not perform the following FSS initiatives that were originally scheduled for FY 2020: Self-Audit Checklist, Labeling List Comparison, FSS Delivery Point Compression, and FSS Software Release. Please discuss whether the Postal Service has plans to implement any of these initiatives in FY 2021.
25. In Library Reference USPS-FY20-45, file “Paragraph (f) -- Operational Changes Report,” file “FY20 Paragraph (f) Report.pdf,” at 4, the Postal Service states that a “new flats scorecard was produced in FY 2020 and currently contains these items: Letters in flats sortation, FSS/AFSM/Manual percentages, FSS Leakage, Zones not run.”
  - a. Please confirm that a new Flats Scorecard was produced in FY 2020 and replaced the old four metric FSS Scorecard. If not confirmed, please explain.
  - b. Please confirm that the FY19 Paragraph (f) Report listed the following metrics on the Flats scorecard: Throughput, Letters in flats sortation, Volume to capacity, FSS/AFSM/Manual percentages, FSS Leakage, Zones not run, Equipment At-Risk, Bundle Breakage, and Bundle Leakage. If not confirmed, please explain.
  - c. Please explain the Postal Service’s rationale for omitting the following metrics on the FY 2020 Flats Scorecard: Throughput, Volume to capacity, FSS Leakage, Equipment At-Risk, Bundle Breakage, and Bundle Leakage.
26. In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated the functional review team intended to establish measurable goals for the FSS Delivery Point Sequence (DPS) Percentage metric in FY 2020. FY 2019 ACR

Response to CHIR No.4, question 15. Has the Headquarters Cross-Functional Team established measurable goals for the FSS DPS Percentage metric? If so, please provide them. If not, please explain.

27. In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated the functional review team intended to establish measurable goals for bundle breakage percentage in FY 2020. *Id.* Has the Headquarters Cross-Functional Team established measurable goals for bundle breakage percentage? If so, please provide them. If not, please explain.
28. In response to a CHIR concerning the FY 2019 ACR, the Postal Service stated that Processing Operations is working towards developing target cycling time for other Flat Mail products. *Id.* Has Processing Operations developed a target cycle time for other Flat Mail Products? If so, please provide them. If not, please explain.
29. Has the Headquarters Cross-Functional Team identified any cost-saving measures that could significantly reduce flats' unit costs? If so, please provide them. If not, please explain.
30. Has the Headquarters Cross-Functional Team implemented any cost-saving measures that could significantly reduce flats' unit costs? If so, please provide them. If not, please explain.

By the Chairman.

Michael Kubayanda